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STATE SUPPORT
TO
PUBLIC ELEMENTARY AND SECONDARY EDUCATION
IN
NEW HAMPSHIRE .

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November, 1982

State School Foundation Aid

The legislature has established Foundation Aid as a program of unrestricted financial aid available for paying part of the general cost of operating schools. The aid is intended to guarantee that all children attending public school will have access to an education of at least minimum quantity and quality, regardless of where they live. Each local school board is free to determine how foundation aid funds are to be spent. The State Board of Education does not require any report specifically on that spending. The process of setting local property tax rates includes approval at the state level by the Department of Revenue Administration. That process insures that state foundation aid is actually used for school purposes.

Two basic factors are considered when determining the amount of foundation aid to be paid to a school district. The first is the cost of the minimum educational program which must be maintained in that district. That cost is referred to as the "foundation program." The second is the ability of that district to pay the cost of the foundation program from local resources. That is referred to as the "local effort."

As an objective measure, the "foundation program" was defined in an earlier statute as being equal to \$200 for each elementary pupil and \$300 for each high

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school pupil residing in the district and educated at school board expense. This concept was modified in 1957. The law now provides, in effect, that the full or maximum foundation program cost is to be determined by multiplying the number of elementary and high school pupils by the state average cost per pupil during the year preceding the year of actual payment, at each program level. For foundation aid purposes, grades kindergarten through eight are considered "elementary," and grades nine through twelve are considered "high school," regardless of how schools are actually organized in each district. Kindergarten pupils are weighted by a factor of 0.5. No other adjustments are made for cost differentials among pupils or programs, or for the size or geographic location of each school district.

The concept of "local effort" has three parts to it. The first is that since our public schools are supported so extensively from local property taxes, the ability of a community to finance its schools should be measured in terms of its "equalized valuation." Equalized valuations are now established every year by the Department of Revenue Administration. Legislation enacted in 1977 changed this from a biennial activity. Equalized valuations are an attempt to show the full market value of all taxable property in each town and city. Second, a school district should not be required to tax itself at a rate greater than the equivalent of 14 dollars per \$1,000 of equalized valuation to meet the cost of its foundation program. Each school district should be permitted, however, to tax itself at a higher level if it wishes to do so. In fact, many districts must make a much greater school tax effort than that, because the legislature appropriates only a small portion of the amount needed to fully fund foundation aid. Third, a school district must actually support its schools at least at the minimum tax rate level of the equivalent of 14 dollars per \$1,000 of equalized valuation. If the level of local school support is less than the required minimum, the foundation aid to which the district is otherwise entitled must be reduced by the difference.

The foundation aid law provides that if a school district can not meet the cost of its "foundation program" from local sources by taxing itself at the equivalent of 14 dollars per \$1,000 of equalized valuation, it is entitled to the difference as foundation aid. There has been, however, no serious attempt on the part of either the executive or legislative branches of state government to fully fund foundation aid. For example, for 1982-83 the amount needed to fully fund foundation aid is \$33,632,526, while only \$3,630,000 was appropriated. This means that the way in which all entitlements are reduced to meet the amount appropriated is very important. Prior to 1957, all entitlements were reduced by a uniform decimal proration. Since then, the cost of the foundation program has been reduced in the computations by reducing the elementary and high school allowances per pupil, until the total of the resulting entitlements just equals the amount appropriated. This approach reduces sharply the number of districts receiving foundation aid. It does, however, distribute the funds available to those school districts least able to support schools from local property tax sources. For 1982-83 full funding would mean entitlements based on \$1,770 per elementary pupil and \$2,026 per high school pupil. Eighty-six of the 169 districts in the state would receive some foundation aid. The actual distribution provided payments to 28 districts, based on allowances of \$1,283.16 per elementary pupil and \$1,468.75 per high school pupil.

School Building Aid

Rather than providing a lump sum payment toward the cost of constructing, purchasing, or remodeling school facilities, school building aid assists school districts to annually pay off long-term indebtedness incurred because of such projects. Town and city school districts are entitled to 30 percent of the principal payment each year. Cooperative or regional school districts are entitled

to a minimum of 40 percent and a maximum of 55 percent of the principal payment. The same schedule applies for the receiving school districts in authorized regional enrollment area agreements. AREA agreements constitute a specific type of long-term tuition arrangement. They do not involve any change in school district structure or boundaries. Payments to cooperative school districts are based on the number of town school districts that have joined together to form a cooperative school district. Similarly, payments to AREA receiving districts are based on the number of sending districts that have entered into the AREA agreement. Interest payments on long-term debt are not included when computing entitlements.

A school district may incur indebtedness to build office facilities to rent to a school administrative unit. (A school administrative unit may not build or purchase a building.) In such cases, school building aid equal to 40 percent of the annual principal payment is paid to the school district that builds the facility.

When capital reserve funds or funds appropriated as part of the annual budget are used to supplement a bond issue, such funds are also eligible for school building aid. The total of such funds is divided by the number of annual principal payments remaining, and the result is added to the amount of entitlement. If a project is funded without issuance of bonds or notes, school building aid is paid in ten equal annual payments.

To be eligible for school building aid a project must be approved by the State Board of Education as at least meeting minimum criteria established by the Board relating to adequacy of space and facilities.

If the sum of all entitlements for a particular year is greater than the amount appropriated, all entitlements are reduced by a uniform decimal proration. To date, however, the legislature has always funded school building aid in full, either on a current basis or retroactively. For 1982-83, 120 of the 169 school

districts in the state are entitled to a total of \$5,932,324. The appropriation for this year is \$5,130,000 and \$86,216 is available as carry-over from 1981-82. All 120 districts are therefore presently scheduled to receive approximately 87.9 percent of their entitlements. It is anticipated that the 1983 legislature will be asked to appropriate the additional \$716,108 needed, on a retroactive basis.

Dual Enrollment and Child Benefit Services

In 1970 the legislature enacted two programs aimed at strengthening the education of children enrolled in nonpublic schools. One permits simultaneous enrollment in a public and a nonpublic school. A school district operating such a dual enrollment program is entitled to full state reimbursement of the cost of that program for the first year. State reimbursement for the second year is limited to one-half the cost. No program costs may be reimbursed after the second year. No school districts have applied for a grant under the dual enrollment program since 1972-73.

The second program expanded the list of services which school districts may provide for pupils enrolled in nonpublic schools. Under this child benefit services program, a school district may develop a plan to provide selected services or materials for the children enrolled in nonpublic schools. The services deal primarily with health, guidance, and testing. They may not be directly instructional in nature. Certain supplementary instructional materials are approvable. All services and materials must be requested by the parents of the children involved. Each plan must be approved by the State Board of Education. The district may then be reimbursed for 70 percent of the cost, providing both the specific services and the expenditures are approved.

If the total of all entitlements exceeds the amount appropriated for a particular year, each entitlement must be reduced by a uniform decimal proration.

Since 1972-73, entitlements have been reduced by proration factors ranging from 28 percent in 1982-83 to no proration in 1975-76.

In 1981-82, 17 districts were entitled to receive \$369,509, based on 70 percent of approved program costs. \$200,000 was appropriated for that year, so that the 17 districts received 54.1 percent of the amount to which they were entitled.

Education of Handicapped Children

This program of state support has been changed in important ways in recent years. For a number of years, relatively small amounts were appropriated by the legislature under several different categorical headings, each identifying a single type of handicap. The total amount available was seriously inadequate. For the last two bienniums particularly, the total amount appropriated has been increased significantly. Also, the number of appropriation categories has been reduced, thereby giving increased flexibility for administration. The available funds may be used to pay tuition to other school districts or to private day schools, or to pay tuition, board, and room to private residential schools. The funds may also be applied against the cost of programs operated by school districts for their own resident pupils. It is also permissible to use the funds to pay tuition to publicly operated programs that are organized regionally.

Legislation enacted in 1981 provides funds for three purposes. The first is referred to as "Basic Aid for Special Education." Each district is entitled to some amount to apply against the cost of educating all handicapped children resident in the district, regardless of where they go to school. The formula takes into account the equalized valuation of the school district and the number of pupils identified as handicapped. \$8,700,000 was distributed in 1981-82 as Basic Aid. The second purpose is referred to as Catastrophic Aid. Each district is entitled to some additional amount to apply against the cost of educating each

handicapped child for whom the cost exceeds \$9,000 per child per year. The second formula also takes into account the equalized valuation of the school district, as well as the sum of the costs that exceed \$9,000 for each pupil. \$1,000,000 was distributed in 1981-82 as Catastrophic Aid. Both formulas provide more funds for the districts with lower equalized valuations per pupil, and the increase is computed exponentially. Under the third purpose, \$300,000 was distributed in 1981-82 to support special programs for the education of the handicapped that are operated on a state-wide basis. The total amount appropriated for the education of all handicapped children in 1981-82 was \$10,000,000.

School Lunch Aid

Starting with the fiscal year 1972, federal law has required that state funds be provided to match a portion of the federal funds distributed to school districts and to nonpublic schools to reimburse a part of the cost of each meal served to school children. In 1972 all states were required to match 12 percent of the federal funds received under one reimbursement program. Starting with the fiscal year 1977-78, all states were required to match 30 percent of the designated federal funds. This matching requirement is not presently scheduled to go any higher. For states in which the per capita income is below the national average, the 30 percent match is reduced by a percentage equal to the ratio of state to national average incomes. Thus, for New Hampshire the present match factor is .28 rather than .3. The state funds are distributed on the basis of a flat amount for each eligible meal served, in the same way as are the federal funds. In 1981-82, a total of \$791,781 was distributed at the rate of approximately \$0.055 per meal.

Education in Unorganized Areas

Two New Hampshire towns are not organized as school districts. Also, there are a number of small areas in the northern part of the state that are not organized as either towns or school districts. The State Board of Education, through the State Department of Education, is responsible for providing an education for any pupils who live in any area that is not a school district. Should the circumstances warrant it, the Department could establish and maintain a school. That is not done, because the number of pupils involved is small. Instead, arrangements are made to transport each pupil to a school in a local school district. Occasionally arrangements are made for a pupil to live near the school during the week, and the cost of room and board is paid as an alternative to traveling an excessively long distance. All transportation costs and tuition charges are paid by the State Department of Education. An annual appropriation is made by the legislature for this purpose. The funds required to support this program are raised through a property tax assessed in the unorganized areas by the Department of Revenue Administration and collected by the State Treasurer. In 1981-82, \$72,533 was spent to provide an education in this way for 29 pupils.

Area Vocational School Aid

Statutory authority for high school students to be enrolled in two schools at the same time was established in 1969. In 1973, this provision was incorporated into the state's program of providing high school vocational education on a regional basis. Pupils enrolled in a high school that does not offer the vocational education program of their choice may enroll for a part of the school day in a high school that does offer such a program. State funds are provided to encourage local school district participation in the regional vocational education program, and to assist in meeting the tuition and transportation costs resulting therefrom.

If the district in which the pupil resides maintains a high school which does not offer the course of the pupil's choice, that district is responsible to the receiving district for 25 percent of the tuition charged for vocational education, and state funds are used to pay the balance. If the sending district does not maintain a high school, that district is responsible for paying the usual tuition charge. If the receiving school charges a higher tuition, the sending district is responsible for paying 25 percent of the additional amount and state funds are used to pay the balance. The provisions of an exclusive tuition contract or an authorized regional enrollment area agreement may not be used to prevent pupils from attending a regional vocational education center in another district. In such cases, the sending district is liable for the regular tuition charge plus 25 percent of any additional amount. State funds are used to pay the balance. State funds are also used to pay reasonable costs relating to transportation to and from the regional vocational education center. \$1,223,152 was distributed to 75 school districts in 1981-82.

Area Vocational School Construction Aid

Legislation enacted in 1973 authorized the State Board of Education to establish a program to construct high school vocational education centers on a regional basis. Nineteen centers have been designated. Pupils attend their regular high school part of the day, and the regional vocational center part of the day, as described in the preceding section. In addition to paying the cost of the added transportation involved, and part of the cost of the tuition involved, state funds are being appropriated to pay for the construction of the regional vocational centers.

The law provides that each center is to be planned locally, with the advice of the vocational education specialists in the State Department of Education. The district in which the center is to be located must provide the site, parking

space, and immediate access to water, sewerage, and electricity. State funds are then used to pay 100 percent of the cost of the approved vocational education facility, including equipment.

Bond issues totaling \$37.5 million have been authorized. To date, vocational centers have been built in Keene, Nashua, Berlin, Exeter, Conway, Concord, Portsmouth, and Manchester. Centers are under construction in Laconia, Littleton, Plymouth, and Wolfboro. Also, a planning grant has been awarded to Whitefield. A total of approximately \$36.5 million has been committed to these 13 projects to date.

Sweepstakes Aid

This state support program is administered by a separate state agency, the Sweepstakes Commission. The net proceeds from the sale of sweepstakes tickets, after all operating expenses and prizes have been paid, are distributed to school districts for the general support of elementary and secondary public education. The total amount available each year is divided by the state total average daily membership of public school pupils educated at school district expense during the second preceding school year. The resulting amount per pupil is multiplied by the average daily membership of pupils resident in each district to establish each district's entitlement.

Since the start of this program in 1964-65, entitlements have been based on amounts per pupil ranging from \$5.79 in 1970-71 to \$33.41 in 1976-77. \$83,015,758 was distributed for 1981-82, on the basis of \$17.98 per pupil.

Driver Education

If a person wishes to obtain a license to operate a car or motorcycle before reaching the age of 18, he/she must have successfully completed an approved program of driver education. State funds to help pay the cost of this program

are distributed by the Department of Safety. Fees paid by persons obtaining a New Hampshire driver's license for the first time, and by those who wish to display their initials or some specific combination of numerals and/or letters on their license plates are used for this purpose.

All public high schools and many nonpublic high schools offer an approved driver education program. In 1981-82 school districts were reimbursed at the rate of \$50 for each pupil who completed an approved program of driver education. A similar reimbursement is provided for pupils who attended a nonpublic high school and who complete an approved program.

Distribution of Business Profits Tax

Legislation was enacted in 1970 which imposed a tax of 6 percent on the taxable business profits of all business organizations. This tax was increased in 1971 to 7 percent. The 1970 legislation repealed a number of other taxes assessed at the town and city level. It also provided that each town and city would receive in 1970 a portion of the proceeds from the business profits tax equal to 10 percent more than the 1969 yield of the various taxes repealed. Finally, the legislation, as amended in 1971, provided that each town and city would receive a 5 percent annual increase in its payment from the business profits tax revenue, starting in 1971.

The 1977 legislature made important changes in this tax and in the method of its distribution. The rate of taxation was increased to 8 percent. Starting in 1979, the proceeds have been distributed according to an "equalized formula" which takes into account local property taxes assessed, local equalized assessed valuation, and the population of each town and city.

In New Hampshire, municipal government provides the tax collecting machinery for the counties and the school districts. The establishment of the business profits tax, therefore, made it necessary to, in effect, credit a part

of the amount received by each town and city to municipal government, to county government, and to the operation of schools. The basis for doing this was the way in which the total local property tax in each town and city was divided between municipal, county, and school government in 1969. Between 1970 and 1981, the 1969 share for each of the three units of government has been increased by the same 10 percent or 5 percent that was used to determine the increase in the amount distributed. The largest amount distributed was \$37,800,000, in 1981. Present legislation calls for the distribution to be reduced gradually to \$31,000,000 in 1984, and then to remain at that level.

SCHOOL DISTRICT REVENUE FROM STATE SOURCES, 1981-82

| | |
|--|----------------|
| Foundation Aid | \$ 3,630,000 |
| School Building Aid | 5,733,067 |
| Dual Enrollment and Child Benefit Services | 200,000 |
| Education of Handicapped Children | 10,000,000 |
| School Lunch (State Funds Only) | 791,781 |
| Education in Unorganized Areas | 72,533 |
| Area Vocational School Aid | 1,223,152 |
| Area Vocational School Construction Aid | 2,286,432 |
| Sweepstakes Aid | 3,015,758 |
| Driver Education | 495,600 |
| School District Reorganization Incentive Aid | 300,000 |
| Foster Children Aid | 180,000 |
| Statewide Supervision | <u>300,000</u> |
| TOTAL REVENUE FROM STATE SOURCES | \$28,228,323 |

STATE SUPPORT PROGRAMS FOR WHICH AUTHORIZING LEGISLATION EXISTS,
BUT FOR WHICH NO FUNDS WERE APPROPRIATED FOR 1982-83

School District Reorganization Incentive Aid

This state support program was established to encourage the formation of cooperative school districts, and, later, authorized regional enrollment area agreements. The funds were made available for the general support of public elementary and secondary education. Entitlements are computed on the basis of the following flat grant amounts for each eligible pupil: 45 dollars per elementary pupil; 60 dollars per junior high school pupil; and 75 dollars per high school pupil. In each cooperative school district, eligible pupils are those who attend school within the cooperative district, but outside the boundaries of the former or pre-existing school district within which they live. In the case of authorized regional enrollment area agreements, eligible pupils are those who live in a sending district and attend school in a receiving district.

Entitlements are computed each year, to be paid in the succeeding year, based on the number of eligible pupils in the preceding year. If the sum of all entitlements for a particular year is greater than the amount appropriated, all entitlements are reduced by a uniform decimal proration. Between 1971-72 and 1981-82, eligible school districts received between 27 percent and 37 percent of their full statutory entitlements.

A total of \$300,000 was distributed in 1981-82. \$200,694 was distributed to 27 cooperative districts that were comprised of 102 pre-existing districts. The remaining \$99,306 was distributed to 22 AREA receiving school districts. Forty-eight sending districts were involved in those 22 AREA agreements.

Foster Children Aid

In New Hampshire, most children under eighteen years of age who are not

cared for by their parents or immediate relatives are placed in foster homes. Some have been made wards of the state, by court order. Some have not. Such placements are usually in a town or city other than the one in which the foster child lived prior to placement. Relative to the size of the general population, such placements tend to be made in smaller, rural communities. The statute authorizes funds to pay part of the cost of educating foster children.

Each school district is entitled to \$200 for each child placed in a foster home within the district. The funds may be used to help pay tuition, if the child attends school in another school district.

Starting in 1977-78, the basis for distribution was expanded. If more funds are appropriated than are required for the basic distribution just described, one-half of the balance is to be used for additional support for the education of foster children who are enrolled in a program or school for the handicapped. The remaining half of the balance is for the support of foster children placed in a group home or non-profit institution that averages six or more foster children annually. These two parts of each entitlement are to be computed on a flat grant per pupil basis, based upon the number of children in each category.

If the amount appropriated for any year is not sufficient to pay all entitlements based on the allowance of \$200 per foster child, those entitlements are to be reduced by a uniform proration. From the start of this program in 1973-74 through 1981-82, all of the basic \$200 per child entitlements were paid in full.

In 1981-82, 82 districts received \$91,770 on the basis of \$200 for each foster child. Thirty-one districts received an additional \$44,115 because of foster children who are also handicapped. Also, 13 districts received another \$44,115 because of foster children living in group homes.

Statewide Supervision

This state support program reflects the unique plan adopted by the legislature in 1919 to guarantee that all school districts, even those with the smallest enrollments, can have the services of at least a superintendent of schools. The 169 school districts of the state are presently organized by the State Board of Education into 53 school administrative units. Each school administrative unit has a school board comprised of members of local school district boards. The number of votes each local school board may cast on school administrative unit matters is determined by the number of teachers employed by each district. The school administrative unit school board selects a qualified person to serve as superintendent of schools. That board may also select qualified persons to serve as assistant superintendent, teacher consultant, or business administrator, if any or all such positions have been authorized by the State Board of Education. The State Board of Education then joins with the SAU school board in issuing each candidate a contract, when it is satisfied that he/she is qualified.

Prior to 1982-83, state funds were appropriated to pay part of the salary of each person issued such a three-way contract. By statute, the state share of the salary of superintendents of schools may range from \$2,500 to \$7,500. School administrative units with the lowest equalized valuation per pupil are entitled to the most state support. The specific schedule of amounts is set each year by the State Board of Education, on the basis of the amount appropriated and the number of state supported positions authorized. The state share of the salary of assistant superintendents, teacher consultants, and business administrators may not exceed \$5,000 per year. It must be set by the State Board of Education at the same amount for all such positions in any one year.

The total number of positions supported by this program has been increased slowly over the years. Also, the total salary paid to persons employed in one

of the four categories of positions has steadily been increased. The state share has, however, steadily decreased as a portion of the total salaries paid. For example, for the fiscal years 1975 through 1981, the state appropriation remained at \$341,600. For 1981-82 the appropriation was reduced to \$300,000. One result is that almost half of all school administrative units have, for a number of years, received the minimum assistance of \$2,500 toward the salary of the superintendent of schools. No union has received more than \$5,000 toward the superintendent's salary, even though the statutory maximum is \$7,500. The state share for the other three positions has, since 1972-73, ranged from a low of \$1,804 in 1981 -82 to a high of \$2,400 in 1973-74 and 1974-75. From 1975-76 through 1979-80 the amount remained constant at \$2,350.

School administrative unit school boards may hire other personnel to work throughout the unit. Such personnel, regardless of their position, are not issued a three-way contract, and no state funds are available to support their salary.